

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF HAWAII

In the Matter of the Application of)

PUBLIC UTILITIES COMMISSION)

DOCKET NO. 2008-0273

Instituting a Proceeding to Investigate the)
Implementation of Feed-in Tariffs.)
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PUBLIC UTILITIES
COMMISSION

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**TAWHIRI POWER LLC'S
RESPONSES TO COMMISSIONS' AUGUST 3, 2009 INFORMATION REQUESTS**

AND

CERTIFICATE OF SERVICE

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TO THE HONORABLE PUBLIC UTILITIES COMMISSION OF THE STATE OF HAWAII:

Pursuant to the Hawaii Public Utilities Commission's (the "Commission") Information Requests dated August 3, 2009, TAWHIRI POWER LLC ("TPL") responds as follows:

1. During the course of the hearing and in submittals, certain parties described the difficulty in monetizing state tax credits. The Commission asks for a detailed explanation, citing the specific tax statutes of the tax credits that developers cannot often monetize. If the tax credits are useful for some projects, such as residential solar PV installations, but not others, please specify which projects the specific available tax credits are or are not frequently available for and why.

Response: TPL does not have any comments to this Information Request at the present time.

2. The Commission is evaluating FiT rates that are non-levelized. Like levelized rates, such rates would provide projects recovery of their costs and a reasonable rate of return. Non-levelized rates would increase over time based on a predetermined discount or inflation rate. Pages 27 through 29 of Haiku Design and Development's opening brief describe and illustrate such an approach.

The Commission requests that the parties provide feedback on whether such rates, if they provide the same level of compensation (when adjusting for the time value of money) would be practicable for developers. In particular, could debt and equity financing structures accommodate rates that provide lower compensation early on and more

compensation later, reducing early cash flow? Would doing so increase the overall required FiT compensation?


Response:

Theoretically, it may be argued over the term of the FiT contract period utilizing a discount rate trajectory capable of accurately reflecting the future opportunity costs in a non-levelized rate structure would achieve the same result as levelized rates over the same period of time. However, unless adequate compensation is provided to renewable energy producers for curtailment of their production, employing such non-levelized rates whereby payments are reduced during the initial years, and steadily increase over time, will not achieve the FiT's goal of reimbursing developers for their actual costs and providing them with a reasonable rate of return. Especially on the Big Island where production curtailment is a common occurrence and anticipated to become more frequent as the Commission authorizes new projects for this locale, it is highly unlikely prudent investors will participate in a FiT program employing that non-levelized rate structure.

Alternatively, if investors elect to participate in curtailable projects in such an environment; their cost structure would be substantially greater. Therefore, non-levelized FiT rates would only be acceptable if generators are ensured satisfactory compensation for curtailed energy deliveries. TPL's proposal will accomplish this result through a balancing account mechanism as explained in its' prior submittals for this Docket. In other words, fair and accurate compensation for curtailed production will facilitate the use of non-levelized rates and associated benefits to ratepayers.

Respectfully submitted.

DATED: Honolulu, Hawaii, August 13, 2009.



HARLAN Y. KIMURA

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The foregoing Responses To Commissions' August 3, 2009 Information Requests was served on the date of filing by hand delivery or electronically transmitted to each such Party.

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